

vention, but began to exist in large numbers in the 1890s. Together these two inventions took an outstanding lead in transforming the face of civilization. But did the knowledge and culture of the man in the street make any corresponding advance? Except in knowledge of the inventions themselves, apparently very little.

If I try to make a comparison of public education in the two periods, I am limited by a good deal of forgetfulness about the past and little knowledge of what is going on at present. But I do remember that in languages, for example in public high school, we had native Germans teaching German and native Frenchmen teaching French. If there is anything similar going on today, I do not know about it.

But enough of trivialities.

It has been my privilege to know, and to be the friend of, a great man, the late Ludwig von Mises. He was an economist, the greatest of the present age, fit to rank with Adam Smith and Ricardo. The title of his masterpiece, *Human Action*, enlarged the conception of the realm of economics. I am happy to pay tribute to him here.

Well, when it comes to speeches, old people have the reputation of having no terminal facilities. I want to disprove that. Right now.

The Life and Work of a Dissident Scholar

Jeffrey A. Tucker

Samuel Johnson wrote that the great minds of history are “of large general powers accidentally determined in a particular direction.” Ludwig von Mises (1881-1973) had such

a mind. We are lucky that he turned to economics—and reconstructed the entire science.

Yet Mises was never given his due. The universities denied him a full-time post. And Mises's stature as a scholar and economist is still largely ignored.

Why is one of the great minds of our time so unrecognized? First, Mises taught reason and logic in an era when the social scientists lauded irrationality and illogic. And second, Mises believed in freedom in an age of omnipotent government.

Yet despite the odds, this dissident scholar was remarkably productive. First, he reconstructed the whole of economic science. And second, he laid a systematic foundation for further rigorous research into the social sciences.

Like other scholars of similar achievement, Mises worked outside the prevailing wisdom, even against the intellectual trends of his time.

Mises's first exposure to Austrian economics came when he read Carl Menger's *Principles of Economics*, and then attended Eugen von Böhm-Bawerk's lectures at the University of Vienna.

Early in Mises's career, government control over money and banking had swept the world. Most economists doubted that money could have its origins or functions in the free market. Mises answered them in his first great work, *The Theory of Money and Credit* (1912).

The book remains the definitive classic on the economics of centralized money and banking. Economists had previously thought that the laws of economics—like the law of marginal utility—did not apply to money. Mises showed that they did. In the same way the free market provides other goods and services, it can also provide money and banking services. With this work, he broke from the past and forged his own school.

The First World War brought with it extensive social and economic control, both in Europe and the United States.

The Warfare State destroyed economies and reversed the progress of liberty. Mises responded with a biting attack on statism and war socialism, *Nation, State, and Economy* (1919). He argued that “modern socialism of necessity must be imperialistic.” And that the only way to rebuild after the war, and to prevent future wars, was to expand free markets domestically, to promote free trade internationally, and to strive for political tolerance everywhere.

In the 1920s, the ideologies of socialism, fascism, and communism were overtaking Europe. He responded with a complete refutation of the theory, or non-theory, of socialist economic planning, *Socialism: An Economic and Sociological Analysis* (1922). Not only did he show that socialism was unwise; he showed that it was, in practice, impossible. Without free trade in capital goods, which socialism proposes to abolish, there can be no rational economic calculation. This insight earned him international fame and a group of devoted followers.

It was not enough for Mises to have confronted and destroyed the idea of socialism, including Benito Mussolini’s then-proposed *stato corporativo*. Mises also had a vision of society wherein freedom provides the way to social cooperation. His *Liberalism* (1927) is an inspiring defense of political and economic freedom and of the social order of individualism and freedom.

After the 1929 Crash and the publication of John Maynard Keynes’s *General Theory* (1936), the interventionists overwhelmed the capitalists in economics departments across Europe and the United States. Mises responded with a sweeping statement reconstructing the whole of the discipline, *Nationalökonómie* (1940), which later became his English masterpiece *Human Action* (1949). In this, his *magnum opus*, Mises defines and defends economics as the deductive science of individual action, and proposes that all government intervention is not only misguided—it is also counterproductive. This unmatched economic treatise forged an American Misesian movement.

Positivism and empiricism took over as the dominant social science method in the 1950s. Mises responded by directly assaulting their intellectual foundations in *Theory and History* (1957) and *The Ultimate Foundation of Economic Science* (1962), both of which elaborated on earlier essays collected in *Epistemological Problems of Economics* (1933).

For Mises it was not enough to hold correct policy views. How one arrives at those views is also of utmost importance. "It is a complete misunderstanding," Mises said of methodological questions, "to dismiss them as the scholastic quibbling of pedantic professors." On the contrary, method is "the real issue," the one upon which the validity of economics ultimately rests.

Mises's term for the subject matter of economics is praxeology, the logic of action. Praxeological reasoning yields economic principles which are universally valid. No matter when in history or where on the globe one looks, the laws of economics apply. Do the facts fit the economic theory? They do. But empirical facts, and history in general, do not by themselves yield any *economic* knowledge at all.

The conclusions of non-praxeological schools must be as tentative as the historical data from which they derive. They cannot be universal theorems. They must be subjected to continuous empirical "testing" to "prove" their validity.

If this is our standard, free markets could work today but statism may appear to work tomorrow. It's anybody's guess what could work the day after. Not so with praxeology. If one desires prosperity and social cooperation, free markets are the only way.

Mises built a coherent system of economic thought, one which begins with the axiom of human action and deduces the whole of economics—from profits and prices to production and trade cycles. In the Misesian system, economic policy binds to theory that derives from method.

Policy, theory, method—all are part of Misesian economics. For example, Mises had fascinating views on central

banking and the business cycle. But they are more powerful when one remembers that they derive logically from universal economic laws, which in turn derive from the fact of human purpose.

That is why Professor Murray Rothbard's new book, *Ludwig von Mises: Scholar, Creator, Hero* (Mises Institute, 1988) is so important. Rothbard includes many hitherto unknown details on Mises's life, and doesn't shy from the harder questions like why most of Mises's best students abandoned him for alien theories and policies.

The Mises who emerges from Rothbard's book is decidedly one of the century's most brilliant intellects. Mises didn't squander his gift for scholarship. He created a system of thought, a science of action, which rescued economics from the depths of nihilism. But what about the "hero" of the title? Samuel Johnson wrote that "the heroes of literary history have been no less remarkable for what they have suffered, than for what they have achieved."

Mises faced incredible challenges: he held no regular academic post, the Nazis ran him out of the country he loved, his brightest students abandoned him late in life, Keynesian doctrine became orthodoxy despite his work, and he watched in horror as statism and war engulfed his century. He once reflected that he "set out to be a reformer, but only became the historian of decline."

Yet Mises remained an uncompromising advocate of economic science and pure laissez-faire until his death. By Johnson's definition of heroism, Mises qualifies. Rothbard sadly notes that Mises never lived to see the Austrian revival which began in 1974 or the growth of the Mises Institute from 1982 to the present.

The Rothbard book does have one failing: it does not mention that Rothbard himself played the major role in keeping the Austrian fires burning during Mises's later years. Where would Austrian economics be without Rothbard's

own courage, creativity, and scholarship? Mises's *Human Action* is a masterpiece, but would it have had so much impact without Rothbard's *Man, Economy, and State* (1962), which clarified and refined it? And it was Rothbard who incorporated Misesian economics into a broader science of liberty, which includes law, religion, literature, history, and politics. "Rothbard and the Legacy of Mises" is the missing and unwritten chapter.

In the forward to the German edition of Ludwig von Mises's intellectual biography, *Notes and Recollections* (1977), Nobel Laureate F. A. Hayek wrote that when he looked "for similar figures in the history of thought, I do not find them among the professors, not even in Adam Smith; instead, [Mises] must be compared to thinkers like Voltaire or Montesquieu, Tocqueville and John Stuart Mill."

Rothbard's *Ludwig von Mises: Scholar, Creator, Hero* proves that claim. This detailed accounting and assessment of Mises life and work—the most thorough to date—should be read alongside Mises's books. No one interested in the intellectual history of this century—or in the fight for liberty—can afford to be without it.